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ANNUAL SERVICE PLAN REPORT

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http://www.for.gov.bc.ca/bcts/

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Message from the Director, Operations and Accountability Statement

I am pleased to present the BC Timber Sales Service Plan Report for the 2004/05 fiscal year.

BC Timber Sales accomplished a great deal last year in providing British Columbians with sustainable benefits from the commercial use of public forests. We had strong performance, either over-achieving or substantially achieving all of our strategic goal targets. This success is due, in large part, to the continued outstanding contributions and efforts of all staff. Therefore, I am taking this opportunity to recognize and thank staff for their excellent work during the past year. Their effort, professionalism and commitment to BC Timber Sales are appreciated.

In support of being a credible reference point for costs and pricing of timber, we made substantial progress toward the government goal of having BC Timber Sales auction 20 percent of the provincial annual allowable cut. As the timber allocation concludes at the end of the 2005/06 fiscal year, we are on track to achieve this long-term target. We also took important steps on the cost accounting front in attributing the majority of our 2004/05 operational expenditures directly to cut blocks in the government's corporate accounting system and by integrating the ministry's costing requirements for roads into our resource management system.

While implementation of these business systems is critically important, it is also essential for BC Timber Sales to be seen as credible by clients and stakeholders. To that end, the Timber Sales Advisory Council was established last year to provide a structured forum for communication and dialogue between our stakeholders and the organization on issues and topics of interest to clients, customers and BC Timber Sales. Our public website was redesigned in 2004/05 to provide better stakeholder access to an array of information. We have received much feedback indicating the site is better meeting the needs and interests of stakeholders, and we continue to improve it.

In terms of optimizing net revenue return to the province, BC Timber Sales significantly exceeded its target. This achievement was due to a mix of factors such as a strong market and substantial savings realized on the cost of timber inventory developed. We also worked hard to ensure we offered sales throughout the year that were timed to support industry harvest operations.

A central feature of achieving our revenue goal is a strong commitment to good forest management and continuous improvement of environmental management in all business areas. At the end of 2004/05, five business areas had achieved certification under the

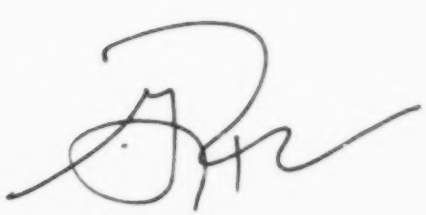
International Organization for Standardization (ISO 14001) certification, exceeding target. A field team in one business area achieved Sustainable Forest Management (SFM) certification through the Canadian Standards Association. We are solidly on track to achieve our long-term certification targets.

BC Timber Sales was successful in providing opportunities for customers to acquire timber in an open and competitive market in 2004/05 by offering more timber volume to market than target. Despite our success on this front, we did not meet our objective-level targets for average number of bidders per sale and no bid sales. The over supply of timber in some areas obviously contributed to these results. We remain committed, however, to continue gaining a better understanding of the factors influencing these targets and to developing new and improved strategies, as appropriate.

As noted above, our strong performance last year was directly linked to the commitment, professionalism and extraordinary efforts of staff. Feedback from employees through an annual organizational survey, supplemented by other information, indicates that we are well on our way to achieving our goal of being a high-performing organization.

Although only two years old, BC Timber Sales already has strong alignment between staff and organizational goals, which positions us well for continued future performance improvements. The large majority of employees view BC Timber Sales as providing a healthy and safe workplace, being a fulfilling place to work and having a culture that fosters learning and innovation. At the same time, however, there are areas for improvement that we will focus on in 2005/06 and beyond.

We are proud of our performance in 2004/05. Our achievements indicate we are increasingly well established to meet the challenges associated with the additional timber volumes from the reallocation initiative, while maintaining our commitment to good forest management practices and maturing as a high-performing organization.



Grant Parnell
Director, Operations

Highlights of the Year

Fiscal year 2004/05 was successful for BC Timber Sales. In its second full year of operations, timber volumes developed, offered, sold, and harvested increased over the previous year. The organization made strong progress on achieving goals and objectives set out in its Annual Service Plan and maturing as a high performing organization.

This section of the report summarizes the significant events and performance achievements of BC Timber Sales during 2004/05. These events and achievements are categorized according to goals, indicating how well the organization has done on achieving key aspects of its mandate.

Goal 1: BC Timber Sales is a credible reference point for costs and pricing of timber harvested from public land in B.C.

One of three objective-level performance measure targets was achieved, while two targets were not applicable in 2004/05. The organization substantially achieved its goal level key outcome indicator target for the year (13 percent of total ministry annual scaled timber volume attributable to BC Timber Sales Section 20 auction sales).

BC Timber Sales was assigned more than four million incremental cubic metres of harvest provincially through the *Forestry Revitalization Act*. Agreements were negotiated on long-term operating areas, with timber representative of the remaining land and of sufficient quantity and availability to enable BC Timber Sales to sell and price timber on an ongoing basis on the coast, northeast and southeast.

Approximately 45 percent of all 2004/05 expenditures and about 70 percent of operational costs were directly coded to cut block or road level project codes, as the first step towards full implementation of a BC Timber Sales Cost Accounting System.

Goal 2: BC Timber Sales optimizes net revenue return to the Province within the parameters dictated by our bench marking mandate and sound forest management practices.

The organization over-achieved all three of its objective-level performance measures targets, with the goal level key outcome indicator target (Net Revenue of $121 million) being exceeded by $29 million or 24 percent.

BC Timber Sales continued to realize cost savings and over-achieved its target "average cost of timber inventory developed" by $1.97 per cubic metre or 19 percent.

Implementation of strategies and a strong market contributed to success in maximizing auction bids during the year. As a result, the target average bid price was over-achieved by $3.67 per cubic metre or 9 percent.

Five business areas achieved International Organization for Standardization certification (ISO 14001). In addition, the Fort Nelson Field Team of the Peace Liard business area achieved Canadian Standards Association (CSA) certification and a number of other business areas are at various stages of investigating or pursuing Sustainable Forest Management (SFM) certification.

Goal 3: BC Timber Sales provides opportunities for customers to purchase timber in an open and competitive market.

Although both objective level performance measure targets were not achieved in 2004/05, BC Timber Sales exceeded its goal-level key outcome indicator target (Volume Offered = 11.8 million cubic metres) by one million cubic metres or 8.5 percent.

Over supply in some areas of the province (e.g. beetle epidemic areas) resulted in higher than projected no bid sales (i.e. number of bidders = zero), adversely impacting success in attracting customers, as measured by the average number of bidders per sale.

All business areas experienced some no bid sales during the year and a number of areas of the province experienced an imbalance in the market due to an over-supply of timber. As a result, no bid volume was 1.25 million cubic metres greater than target. Although the target for 2004/05 was not achieved, there was a 30 percent improvement over 2003/04.

Goal 4: BC Timber Sales is a high performing organization with skilled, motivated and proud people.

This was a new goal for BC Timber Sales in 2004/05. As a result, baseline targets were established during the year for four of the five objective level performance measures. Nevertheless, BC Timber Sales substantially achieved its goal-level key outcome indicator target (100 percent of BC Timber Sales' targeted results achieved).

BC Timber Sales achieved 87 percent of its performance targets, while under-achieving on only two targets and over-achieving on four.

Some 71 percent of staff indicated a high level of agreement that BC Timber Sales does a good job of providing a healthy and safe workplace.

The organization adopted and implemented the Comptroller General – Internal Audit and Advisory Services' Performance Management and Accountability Framework.

The Ministry of Forests launched the Road Ahead organizational revitalization strategy with the overall goal of building a higher performing organization. BC Timber Sales supports this initiative and, even prior to its launch, had implemented a number of complementary strategies, such as the new corporate Learning Strategy.

BC Timber Sales conducted its second annual staff survey. Some highlights from the survey include:

- 60 percent of staff believe BC Timber Sales fosters an environment of continuous learning;
- 70 percent of staff feel they are encouraged to be innovative and come up with better ways of doing things; and
- 64 percent of staff feel that, all things considered, BC Timber Sales is a fulfilling place to work.

VISION

To be an effective timber marketer generating wealth through sustainable resource management.

MISSION

To market Crown timber to establish market price and capture the value of the asset for the public.

Organizational Overview

BC Timber Sales is an independent organization within the Ministry of Forests, with financial and operational independence from regional and district operations. The program has an integral role in the implementation of government's Forestry Revitalization Plan and supports the ministry goal of providing British Columbians with sustainable benefits from the commercial use of public forests.

BC Timber Sales supports this ministry goal by planning, developing, and selling, through auction, a substantial and representative portion of the province's annual available timber volume. Information gathered from auctioned timber drives the Market-based Pricing System for setting stumpage in coastal operating areas of British Columbia. The program's costs of developing timber also provide data for the Tenure Obligation Adjustment, contributing another integral part of the pricing system.

Despite its independence, BC Timber Sales remains a proud part of the Forest Service and maintains mutually productive and beneficial relations with other parts of the ministry.

Vision: To be an effective timber marketer generating wealth through sustainable resource management.

Our vision means that we:

- have skilled, motivated, proud and loyal employees;
- have, and continue to seek out, efficient, effective and innovative business practices with a committed focus;
- are respected managers of public forests;
- are an integral part of the B.C. economy; and
- optimize opportunities from B.C. forests for our customers.

Mission: To effectively develop and market timber to establish the price for Crown timber, generate benefits, and provide economic opportunities for the people of B.C.

In the pursuit of our mission, we value:

- Honesty & Integrity
- Accountability
- Forest Stewardship

Report on Performance

Overview of BC Timber Sales Goals and Linkage to Ministry of Forests and Government Strategic Goals

This first Annual Service Plan Report for BC Timber Sales reports progress on achieving planned goals, objectives, strategies, outputs and resources for the year from April 1, 2004 to March 31, 2005.

BC Timber Sales has four strategic goals:

- Provide a credible reference point for costs and pricing of timber harvested from public land in B.C.
- Optimize net revenue to the province, within the parameters dictated by our benchmarking mandate and sound forest management practices.
- Provide opportunities for customers to purchase timber in an open and competitive market.
- Be a high performing organization with skilled, motivated and proud people.

BC Timber Sales contributes to achieving the following ministry and provincial government goals:

- being major contributors to the current and future economic health of the province;
- having a strong forest economy and competitive forest sector; and
- sustainable forest benefits.

Success in achieving strategic goals is measured through four key outcome indicators – one for each goal.

Table 1 – BCTS Key Outcome Indicators

BCTS Key Performance Indicators		Results
1.0 Percent of total ministry annual scaled timber volume attributable to BC Timber Sales Section 20 auction sales.	→	S
2.0 Net revenue	→	[redacted]
3.0 The volume of timber offered for sale	→	[redacted]
4.0 Percent of BC Timber Sales' targeted results achieved	→	S

(A = Achieved target, O = Over achieved target, S = Substantially achieved target, U = Under achieved target, N/A = Not Applicable)

BC Timber Sales has 12 objectives that support the achievement of its goals, with success in achieving these objectives being measured through 12 performance measures. Table 2 below provides a synopsis of our performance for 2004/05.

Table 2 - Synopsis of 2004/05 Results

BCTS Goals	BCTS Key Objectives	Measures	Result
1. Provide a credible reference point for costs and pricing of timber harvested from public land in B.C.	1.1 Our cost and pricing data are complete, accurate, reliable and verifiable.	BCTS will obtain a third party audit opinion annually, beginning in 2006/07, on the completeness, accuracy, reliability and verifiability of its cost and pricing data.	N/A
	1.2 Others see BC Timber Sales as a credible reference point.	Percent of stakeholders who indicate that they agree or strongly agree that BCTS is a credible reference point for costs and pricing. Setting baseline in 2004/05.	N/A
	1.3 On average 20 percent of the provincial annual allowable cut is being auctioned by BC Timber Sales.	Average of BC Timber Sales' timber volume advertised as a percent of provincial Annual Allowable Cut.This is a measure of BC Timber Sales' achievement in advertising a sufficient volume of timber to establish credible costs and pricing.	A
2. Optimize net revenue to the province, within the parameters dictated by our benchmarking mandate and sound forest management practices.	2.1 Our costs are contained, within the parameters dictated by our benchmarking mandate.	Average inventory cost of developed timber. Inventory costs include all costs incurred to plan, develop and sell timber.	O
	2.2 Auction bids are maximized, within the parameters dictated by our benchmarking mandate.	Average price bid per cubic metre for Section 20 auction sales.	O
	2.3 Demonstrate good forest management practices.	Percent of BCTS' business areas with some form of Sustainable Forest Management certification and/or an Environmental Management System overall or in part of its operations.	O
3. Provide opportunities for customers to purchase timber in an open and competitive market.	3.1 Optimize program participation over time.	The average number of bidders per timber sale auctioned during the year	U
	3.2 Our customers see the timber sales that we offer as economically viable	No bid sales is the volume of timber advertised by BCTS that receives no customer bids. See as economically viable	U
4. A high performing organization with skilled, motivated and proud people.	4.1 A safe and healthy work environment.	Establishing Baseline in 2004/05	N/A
	4.2 Our performance management and accountability framework is effective	Implement Framework in 2004/05	A
	4.3 People see BC Timber Sales as a fulfilling place to work	Establishing Baseline in 2004/05	N/A
	4.4 Learning and innovation are a part of our organizational culture	Establishing Baseline in 2004/05	N/A

(A = Achieved target, O = Over achieved target, S = Substantially achieved target, U = Under achieved target, N/A = Not Applicable)

Success in achieving strategic goals is measured through four key outcome indicators – one for each goal.

Table 1 – BCTS Key Outcome Indicators

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1.0 Percent of total ministry annual scaled timber volume attributable to BC Timber Sales Section 20 auction sales	▸	S
2.0 Net revenue	▸	O
3.0 The volume of timber offered for sale	▸	O
4.0 Percent of BC Timber Sales' targeted results achieved	▸	S

A = Achieved target, O = Over achieved target, S = Substantially achieved target
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	1.2 Others see BC Timber Sales as a credible reference point.	Percent of stakeholders who indicate that they agree or strongly agree that BCTS is a credible reference point for costs and pricing. Setting baseline in 2004/05.	N/A
	1.3 On average 2% percent of the provincial annual allowable cut is being auctioned by BC Timber Sales.	Average of BC Timber Sales' timber volume advertised as a percent of provincial Annual Allowable Cut. This is a measure of BC Timber Sales' achievement in advertising a sufficient volume of timber to establish credible costs and pricing.	A
2. Optimize net revenue to the province within the parameters dictated by the benchmarking mandate and sound forest management practices.	2.1 Our costs are contained within the parameters dictated by the benchmarking mandate.	Average inventory cost of developed timber. Inventory costs include all costs incurred to plant, develop and sell timber.	0
	2.2 Auction bids are maximized within the parameters dictated by the benchmarking mandate.	Average price bid per cubic metre for Section 20 auction sales.	0
	2.3 Demonstrate good forest management practices.	Percent of BCTS' business areas with some form of Sustainable Forest Management certification and/or an Environmental Management System overall or as part of its operations.	0
3. Provide opportunities for customers to purchase timber in an open and competitive market.	3.1 Optimize program participation over time.	The average number of bidders per timber sale auctioned during the year.	U
	3.2 Our customers see the timber sales that we offer as economic to pay auction.	Ratio that sales in the volume of timber advertised by BCTS that receives no customer bids. See as economically viable.	U
4. A high performing organization with skilled, motivated and valued people.	4.1 A safe and healthy work environment.	Establishing Baseline in 2004/05.	N/A
	4.2 Our performance management and accountability framework is effective.	Implement framework in 2004/05.	A
	4.3 People see BC Timber Sales as a fulfilling place to work.	Establishing Baseline in 2004/05.	N/A
	4.4 Planning and management are a part of our organizational culture.	Establishing Baseline in 2004/05.	N/A

GOAL 1:

BC Timber Sales is a credible reference point for costs and pricing of timber harvested from public land in BC.

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BC Timber Sales is a credible reference point for costs and pricing of timber harvested from public land in B.C.

Goal 1 is key to the Ministry of Forests achieving its goal of Sustainable Forest Benefits by establishing market price for Crown timber. BC Timber Sales contributes to this ministry goal by being a credible reference point for costs and pricing of timber harvested from public land in British Columbia for the ministry's Market-based Pricing System.

Key Outcome Indicator:

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Percent of volume scaled	8.3 %	13 %	11 %	(2)	Substantially Achieved

Source: Ministry of Forests Revenue Branch – Harvest Billing System

Indicator: Percent of total provincial annual scaled timber volume attributable to BC Timber Sales Section 20 auction sales. This is an indicator of BC Timber Sales' success in achieving a sufficient market presence to be a credible reference point for costs and pricing of timber harvested.

Results:

While the target for the year was not achieved, BC Timber Sales made progress toward achieving a sufficient market presence to be a credible reference point. The proportion of scaled timber attributable to BC Timber Sales increased by 2.7 percentage points (8.3 to 11 percent) or 33 percent over the previous year.

Objective 1.1: Our cost and pricing data is complete, accurate, reliable and verifiable.

For BC Timber Sales to be a credible reference point, its cost and pricing data must be complete, accurate, reliable and verifiable.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Audit opinion	N/A	Note 1	N/A	N/A

Note 1: First external audit to be completed in 2006/07.

Measure: To measure our success in achieving this objective, BC Timber Sales will obtain a third party audit opinion annually, beginning in 2006/07, on the completeness, accuracy, reliability and verifiability of its cost and pricing data. The results of the audit will be reported publicly each year.

Results:

Cost accounting is critical for the continued success of BC Timber Sales and is a key business strategy to support the achievement of three strategic goals. The cost accounting vision is to have a world class database of cost and revenue data linked by business area, activity, timber sale, block, road and significant spatial attributes in order to produce a wide range of information to evaluate and inform business and operational decisions.

As a first step toward full implementation of a BC Timber Sales Cost Accounting Database System on April 1, 2004, the organization began attributing expenditures to cut block and road project codes in the government's Corporate Accounting System. By March 31, 2005, approximately 45 percent of all 2004/05 expenditures and about 70 percent of operational costs had been directly coded to cut block or road project codes. The remaining expenditures, consisting mainly of salaries, and indirect operational, and overhead and administration expenditures, will be attributed to appropriate project codes in the BC Timber Sales Cost Accounting Database System.

BC Timber Sales has also integrated the Ministry of Forests' Revenue Branch Cost Survey requirements for roads into its Genus Resource Management System. The surveys are the primary method of data collection used by the ministry to collect experience costs associated with road construction and maintenance. Data collected by the Revenue Branch are used in the Tenure Obligation Adjustment, which impacts the price paid for timber by non-BC Timber Sales tenure holders.

Objective 1.2: Others see BC Timber Sales as a credible reference point.

Accurate, complete, reliable and verifiable cost and pricing data alone are not sufficient for BC Timber Sales to be a credible reference point. It is also important for the organization to be seen as credible by its stakeholders.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Stakeholder opinion	N/A	Note 1	TBD	TBD

Source: Annual survey of stakeholders

Measure: Percent of stakeholders who indicate that they agree or strongly agree that BCTS is a credible reference point for costs and pricing. This is a measure of BCTS' success in communicating its credibility to others.

Note 1: BC Timber Sales plans to establish the base line in 2005/06 and then set targets for 2006/07 through 2007/08.

GOAL 1:

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Source: Ministry of Forests Revenue Branch – Harvest Billing System

Indicator: Percent of total provincial annual scaled timber volume attributable to BC Timber Sales Section 20 auction sales. This is an indicator of BC Timber Sales' success in achieving a sufficient market presence to be a credible reference point for costs and pricing of timber harvested.

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Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Audit opinion	N/A	Note 1	N/A	N/A

Note 1: First external audit to be completed in 2006/07.

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Objective 1.2: Others see BC Timber Sales as a credible reference point.

Accurate, complete, reliable and verifiable cost and pricing data alone are not sufficient for BC Timber Sales to be a credible reference point. It is also important for the organization to be seen as credible by its stakeholders.

Measure	**2003/04 Actual**	2004/05 Target	2004/05 Actual	2004/05 Variance
Stakeholder opinion	N/A	Note 1	TBD	TBD

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Measure: Percent of stakeholders who indicate that they agree or strongly agree that BCTS is a credible reference point for costs and pricing. This is a measure of BCTS' success in communicating its credibility to others.

Note 1: BC Timber Sales plans to establish the base line in 2005/06 and then set targets for 2006/07 through 2007/08.

Results:

In 2004/05, BC Timber Sales produced its first three-year Service Plan and Annual Service Plan Report to enhance communications and accountability for results with our stakeholders and the public. Starting in 2005/06, BC Timber Sales will post its quarterly results on its public website to promote open and transparent communication of results to stakeholders and the public.

BC Timber Sales established the Timber Sales Advisory Council in 2004 to provide a structured forum for communication and dialogue between stakeholder and BC Timber Sales representatives on issues and topics of interest to clients, customers and BC Timber Sales. The Timber Sales Advisory Council provides an opportunity to canvass sector views on operational and business policies and practices of the organization. Members of the council provide the Assistant Deputy Minister, BC Timber Sales with input and advice on a range of policy, legislative and operational matters.

In 2004/05, BC Timber Sales began exploring options for reporting financial results in a format more easily readable by the public and more readily comparable to the financial reporting of private sector forest companies.

Objective 1.3: On average 20 percent of the provincial annual allowable cut is being auctioned by BC Timber Sales.

For BC Timber Sales' data to be credible, it is important for the volume of market transactions to be sufficient to support the Market Pricing System. Government set the objective of 20 percent for BC Timber Sales and introduced Bill 28 (timber reallocation) to facilitate the increased timber volumes required by BC Timber Sales to achieve this objective.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Percent of AAC auctioned by BCTS	N/A	13 %	14%	1	Achieved

Measure: Average of BC Timber Sales' timber volume advertised as a percent of provincial Annual Allowable Cut. This is a measure of BC Timber Sales' achievement in offering (advertising) a sufficient volume of timber to establish credible costs and pricing.

Results:

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Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Percent of AAC auctioned by BCTS	N/A	13 %	14%	1	

Sources: BCTS and Resource Tenures & Engineering Branch

Measure: Average of BC Timber Sales' timber volume advertised as a percent of provincial Annual Allowable Cut. This is a measure of BC Timber Sales' achievement in offering (advertising) a sufficient volume of timber to establish credible costs and pricing.

Results:

BC Timber Sales exceeded its target by one percentage point (13 to 14 percent) or 8 percent in 2004/05. Under the *Forestry Revitalization Act,* the re-apportionment of 20 percent of major licence holders harvesting rights began in 2004/05. BC Timber Sales participated with major tenure holders and the ministry's Timber Reallocation Team to identify specific harvesting rights volumes to be reallocated from tenures in every management unit across the province. As of March 2005, BC Timber Sales was assigned more than 4 million incremental cubic metres of harvest provincially, completing this stage of the process.

BC Timber Sales has moved into stage two of the reallocation process with licensees across the province. In this part of the process, the parties negotiate agreements on long-term operating areas containing timber representative of the remaining land and of sufficient quantity and availability to enable BC Timber Sales to sell and price timber on an ongoing basis. By March 2005, the second phase of reallocation was completed with licensees on the coast, northeast and southeast.

In many cases, BC Timber Sales must buy out or purchase unused forestry work and unamortized physical assets on the land base negotiated for long-term pricing reasons. This third phase of the reallocation project was nearing completion on the coast as of March 2005. All phases are expected to be complete for the entire the province by March 2006

GOAL 2:

BC Timber Sales optimizes net revenue return to the Province within the parameters dictated by our benchmarking mandate and sound forest management practices

GOAL 2: BC Timber Sales optimizes net revenue return to the Province within the parameters dictated by our benchmarking mandate and sound forest management practices.

This goal supports government and the Ministry of Forests as major contributors to the current and future economic health of the province. BC Timber Sales strives to optimize, rather than maximize net revenue. In doing so, it seeks a balance between generating revenues and being a credible reference point, while ensuring sound forest management practices.

Key Outcome Indicator:

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Net revenue (millions)	$101.0	$121.1	$150.2	$29.1	

Sources: Harvest Billing System and the Corporate Accounting System

Measure: Net Revenue. Net revenue is a key outcome indicator of the success of BC Timber Sales in optimizing revenue return to the Province. The measure is calculated as gross revenue less capitalized expenses (inventory and silviculture costs associated with timber volume harvested) and period costs (e.g. administrative overhead, harvest conformance costs, and road & bridge maintenance and deactivation).

Results:

BC Timber Sales exceeded its net revenue target by $29.1 million or 24 percent. Approximately $13 million or 45 percent of this over-achievement was a result of strong timber prices and higher than projected billed rates for timber harvested. Cost savings and lower than projected timber volumes harvested during the year contributed to the remaining $16 million over-achievement in net revenue.

Objective 2.1: Our costs are contained, within the parameters dictated by our benchmarking mandate.

Containing the costs of operations is a key part of BC Timber Sales' efforts to optimize net revenues. By competitively tendering contracts and continuously improving information for business processes and decisions, costs will be contained or reduced, within the parameters of the organization's benchmarking mandate.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Cost of developed timber volume ($/cubic metre)	N/A	$10.54	$8.57	($1.97)	

Source: MAX and Corporate Accounting System

Measure: Average inventory cost of developed timber. This is a measure of BC Timber Sales' performance in containing costs contributing towards optimizing net revenue. Inventory costs include all costs incurred to plan, develop and sell timber. Period costs, such as administrative overhead and road maintenance, and post harvest costs, such as silviculture, are not part of the cost of inventory.

Results:

BC Timber Sales continued to explore alternate methods of delivery and share financial and operational best practices, and cost efficiencies during the year. As a result, it continued to realize cost savings and over-achieved its target cost of average timber inventory developed by $1.97 per cubic metre or 19 percent. In addition, implementation and integration of the Cost Accounting and Genus Resource Management systems into program business and operational processes progressed during the year towards our target of full integration by 2006/07. (For a breakdown of timber inventory costs by Coast and Interior, see Appendix 1)

Objective 2.2: Auction bids are maximized, within the parameters dictated by our benchmarking mandate.

In addition to containing costs, BC Timber Sales is able to impact net revenue by increasing its gross revenues. One key to increasing revenues is maximizing the amounts customers offer to pay for timber being auctioned. Efforts to maximize auction bids, however, are constrained by our benchmarking mandate and Goal 1.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Average bid price (per metre³)	$38.82	$39.00	$42.67	$3.67	

Measure: Average price bid per cubic metre for Section 20 auction sales. (Source – BCTS Admin system) The average bid price is a measure of the program's success in maximizing auction bids. The average bid price is the weighted average of all winning bids for timber sales advertised and sold in the year. The bid price is defined as the total of the upset price plus the bonus bid. The success of BC

GOAL 2:

BC Timber Sales optimizes net revenue return to the Province within the parameters dictated by our benchmarking mandate and sound forest management practices

GOAL 2: BC Timber Sales optimizes net revenue return to the Province within the parameters dictated by our benchmarking mandate and sound forest management practices.

This goal supports government and the Ministry of Forests as major contributors to the current and future economic health of the province. BC Timber Sales strives to optimize, rather than maximize net revenue. In doing so, it seeks a balance between generating revenues and being a credible reference point, while ensuring sound forest management practices.

Key Outcome Indicator:

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Net revenue (millions)	$101.0	$121.1	$150.2	$29.1	Over-Achieved

Measure: Net Revenue. Net revenue is a key outcome indicator of the success of BC Timber Sales in optimizing revenue return to the Province. The measure is calculated as gross revenue less capitalized expenses (inventory and silviculture costs associated with timber volume harvested) and period costs (e.g. administrative overhead, harvest conformance costs, and road & bridge maintenance and deactivation).

Results:

BC Timber Sales exceeded its net revenue target by $29.1 million or 24 percent. Approximately $13 million or 45 percent of this over-achievement was a result of strong timber prices and higher than projected billed rates for timber harvested. Cost savings and lower than projected timber volumes harvested during the year contributed to the remaining $16 million over-achievement in net revenue.

Objective 2.1: Our costs are contained, within the parameters dictated by our benchmarking mandate.

Containing the costs of operations is a key part of BC Timber Sales' efforts to optimize net revenues. By competitively tendering contracts and continuously improving information for business processes and decisions, costs will be contained or reduced, within the parameters of the organization's benchmarking mandate.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Cost of developed timber volume ($/cubic metre)	N/A	$7.34	$5.57	($1.97)	Over-Achieved

Measure: Average inventory cost of developed timber. This is a measure of BC Timber Sales' performance in containing costs contributing towards optimizing net revenue. Inventory costs include all costs incurred to plan, develop and sell timber. Period costs, such as administrative overhead and road maintenance, and post harvest costs, such as silviculture, are not part of the cost of inventory.

Results:

BC Timber Sales continued to explore alternate methods of delivery and share financial and operational best practices, and cost efficiencies during the year. As a result, it continued to realize cost savings and over-achieved its target cost of average timber inventory developed by $1.97 per cubic metre or 19 percent. In addition, implementation and integration of the Cost Accounting and Genus Resource Management systems into program business and operational processes progressed during the year towards our target of full integration by 2006/07. (For a breakdown of timber inventory costs by Coast and Interior, see Appendix 1)

Objective 2.2: Auction bids are maximized, within the parameters dictated by our benchmarking mandate.

In addition to containing costs, BC Timber Sales is able to impact net revenue by increasing its gross revenues. One key to increasing revenues is maximizing the amounts customers offer to pay for timber being auctioned. Efforts to maximize auction bids, however, are constrained by our benchmarking mandate and Goal 1.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Average bid price ($/cubic metre)	$38.82	$39.90	$42.67	$3.67	Over-Achieved

Measure: Average price bid per cubic metre for Section 20 auction sales. (Source – BCTS Admin system) The average bid price is a measure of the program's success in maximizing auction bids. The average bid price is the weighted average of all winning bids for timber sales advertised and sold in the year. The bid price is defined as the total of the upset price plus the bonus bid. The success of BC

Timber Sales in achieving its target average bid prices may be affected by factors outside the organization's control. For example, the effects on average bid price from proposed policy changes to grade rules in fiscal 2006/07 are unknown at this time.

Note: Bid price differs from the average billed rate for timber harvested. Bid price is the price offered by customers for timber while the billed rate is the average stumpage per cubic metre received by BC Timber Sales when the timber is harvested and scaled. The various grades of logs obtained by a licensee on a timber sale as measured during scaling impact on the revenues BC Timber Sales receives from a sale.

Results:

Implementation of strategies and a strong market during most of the year contributed to success in maximizing auction bids. As a result, BC Timber Sales over achieved its target average bid price by $3.67 per cubic metre or 9 percent.

During 2004/05, BC Timber Sales continued with its strategy to develop annual business area sales schedules that:

- offered timber sales timed to integrate with industry harvest operations;
- offered sales for auction throughout the year; and
- contained timber profiles to minimize potential no bid sales, within its benchmarking constraints.

BC Timber Sales continued with its strategy to reduce licensee risk associated with timber sales by increasing the volume of sales that are fully developed over time to 90 percent of volume advertised. In 2004/05, some 89 percent of the volume advertised was fully developed. (For a breakdown of average bid price by Coast and Interior see Appendix 1)

Objective 2.3: Demonstrate good forest management practices.

In its efforts to optimize net revenues, BC Timber Sales is committed to sustainable benefits and being good forest managers. BC Timber Sales recognizes the importance of its environmental performance to its stakeholders and the public. As such, the organization is committed to demonstrating good forest management practices, implementing a systematic approach and to continuous improvement of environmental management systems in all business areas.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Certified timber volume percent	17 %	25 %	42%	17%	

Source: Certification Registrars' Audits

Measure: Percent of BC Timber Sales' business areas with some form of Sustainable Forest Management certification such as CSA and/or an Environmental Management System such as ISO 14001 over all or part of its operations at the end of each year. This measure is an indicator of the program's success in demonstrating good forest management practices.

Results:

Five BC Timber Sales business areas have achieved ISO 14001 certification. Seaward-tlasta, Strait of Georgia, Okanagan-Columbia, and Peace-Liard had successful registration audits in 2004/05 and joined the Chinook business area in holding ISO 14001 certificates. In addition, the Fort Nelson Field Team of the Peace-Liard business area achieved CSA certification and a number of other business areas are at various stages of investigating or pursuing Sustainable Forest Management certification.

Work continued on ensuring all data are recorded in the appropriate systems in order for the organization to meet all reporting requirements. Two task teams were formed in 2004/05 to facilitate and co-ordinate these efforts for roads and silviculture reporting.

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GOAL 3:

BC Timber Sales provides opportunities for customers to purchase timber in an open and competitive market

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This goal supports a strong forest economy and competitive forest sector. BC Timber Sales seeks a balance between providing opportunities for customers to purchase timber, generating revenues and being a credible reference point, and ensuring sound forest management practices. This goal is constrained by the benchmarking mandate and Goals 1 and 2.

Key Outcome Indicator:

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Volume offered (million metres³)	11.2	11.8	12.8	1.0	[redacted]

Data Source: Timber Sales Offices and MAX

Indicator: Volume Offered. The volume offered for sale is the gross total timber volume that BC Timber Sales offers to the market and includes all forms of tenure administered by BC Timber Sales. In addition to advertised Section 20 auction sales, volume offered includes all volume associated with forestry licence to cuts, and previously committed volumes for ongoing Section 21, 24 and 13(1.1) licences.

Unlike the measure 'the percent of total timber volume available, auctioned by BC Timber Sales', which provides statistical support for credible pricing, this output measure indicates the program's success in providing opportunities for customers to acquire timber.

Results:

BC Timber Sales was successful in providing opportunities for customers to acquire timber in 2004/05, exceeding its target volume offered by 8.5 percent.

Objective 3.1: Optimize program participation over time.

One key to providing opportunities in an open and competitive market is to optimize program participation. The organization's ability to always achieve this objective, however, is constrained by our benchmarking mandate and achieving Goals 1 and 2, and can be influenced by market forces outside the control of BC Timber Sales, such as government policy direction.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Average number of bidders per sale	3.11	5.0	3.04	(1.96)	Not Achieved

Source: BCTS Admin System

Measure: The average number of bidders per timber sale auctioned during the year. This is an indicator of the program's success in attracting customers to the program by providing open competitive opportunities. The target average number of bidders per sale is based on established auction theory that shows that the optimum bid price is obtained when there are five bidders per sale offered.

Note 1 – The 2005/06 – 2007/08 Service Plan erroneously reported the actual average number of bidders per sale in 2003/04 as 4.7. The correct average number of bidders per timber sale offered during 2003/04 was 3.11.

Results:

Over supply in some areas of the province (e.g. beetle epidemic areas) resulted in higher than projected no bid sales (i.e. number of bidders = zero) adversely impacting success in attracting customers as measured by the average number of bidders per sale. The average number of bidders per sale fell from 3.11 per sale in 2003/04 to 3.04 in 2004/05, a decrease of 2 percent. (For a breakdown of the average number of bidders per Timber Sale offered by Coast and Interior, see Appendix 1)

As part of an ongoing strategy to improve electronic access to services, BC Timber Sales redesigned its public website to improve functionality and provide better information to stakeholders and the public. Plans to explore E-commerce applications for timber sales transactions via the Internet in fiscal 2004/05 were deferred for operational reasons, but this is still a significant strategy for BC Timber Sales.

Objective 3.2: Our customers see the timber sales that we offer as economically viable.

BC Timber Sales believes that, for timber sales to be opportunities for customers, they must be seen as economically viable by customers. Therefore, BC Timber Sales is committed to undertaking strategies to continuously improve the overall economic viability of the timber sales it offers to customers. The ability of the organization to always achieve this objective, however, is constrained by its benchmarking mandate and achievement of Goals 1 and 2. It can be influenced also by market forces outside the control of BC Timber Sales such as the bark-beetle epidemic.

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Key Outcome Indicator:

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Volume offered (million metres³)	11.2	11.8	12.8	1.0	Achieved

Data Source: Timber Sales Offices and MAX

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Objective 3.1: Optimize program participation over time.

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Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Average number of bidders per sale	3.11	5.0	3.04	(1.96)	Not Achieved

Source: BCTS Admin System

Measure: The average number of bidders per timber sale auctioned during the year. This is an indicator of the program's success in attracting customers to the program by providing open competitive opportunities. The target average number of bidders per sale is based on established auction theory that shows that the optimum bid price is obtained when there are five bidders per sale offered.

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Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
No bid sales (million metres³)	2.20	0.30	1.55	1.25	Not Achieved

Data source: BCTS Admin System

Measure: No bid sales is the volume of timber advertised by BC Timber Sales that receives no customer bids. In a market characterized by a reasonable balance between supply and demand for timber, this measure is an indicator of the program's success in offering timber sales that our customers see as economically viable. No bid sales are measured in millions of cubic metres.

Results:

No bid volume for 2004/05 was 1.25 million cubic metres greater than target. During the year, a number of areas of the province experienced an imbalance in the market as a result of an over supply of timber. Two business areas – Babine and Cariboo-Chilcotin - represented 39 percent of the total no bid sales for the year. Nevertheless, all business areas experienced some no bid sales during the year.

Although BC Timber Sales did not achieve its target for no bid volume performance in 2004/05, it showed a 30 percent improvement over 2003/04. Effort was expended to reduce the number of no bid sales by regularly following up with customers on each no bid sale to determine why they chose not to bid and then adjusting timber sales schedules to address market conditions and customer demand, within benchmarking constraints.

The no bid volume reported above is a gross volume number that does not show the no bid volume that was re-advertised and eventually sold at a later date. Of the 1.55 million cubic metres of no bid sales in 2004/05, some 550,000 cubic metres was re-offered and sold during the year. An additional 600,000 cubic metres will be re-offered and sold in 2005/06. As a result, the gross no bid volume will be reduced to a net volume of no bid sales for the year of about 400,000 cubic metres. Table 3 below shows gross and net no bid volumes and relative percentages broken down into the coastal, southern interior and northern interior areas.

Table 3: No bid sales volume by area

Area	Gross Volume (m^3)	%	Net Volume (m^3)	%
Coastal Business Areas (Chinook, Strait of Georgia, Seaward-tlasta, Skeena)	451,700	29%	108,246	27%
Southern Interior Business Areas (Cariboo-Chilcotin, Kamloops, Okanagan-Columbia, Kootenay)	477,844	31%	233,683	57%
Northern Interior Business Areas (Prince George, Babine, Stuart-Nechacko, Peace-Laird)	616,106	40%	64,289	16%
Totals	**1,545,650**	**100%**	**406,218**	**100%**

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
No bid sales (million metres³)	2.20	0.30	1.55	1.25	Not Achieved

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GOAL 4:

BC Timber Sales is a high performing organization with skilled, motivated and proud people

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BC Timber Sales is a high performing organization with skilled, motivated and proud people

BC Timber Sales is described as a 'hybrid' organization – it is a public sector program that operates under commercial enterprise principles. Established in April 2003, BC Timber Sales is a young organization that has worked its way through initial growing pains, but is still in the early stages of development. BC Timber Sales is organized around a 'two-tier franchise' model that has been designed to be administratively streamlined, with a small corporate headquarters office and twelve business areas. Unlike most other decentralized government organizations, BC Timber Sales does not have a regional layer.

To succeed in achieving its first three goals and also be a high-performing organization, BC Timber Sales needs effective systems and processes, and people who are skilled, motivated and proud of what they do. A high-performing organization with these assets will, all other things being equal, achieve or exceed its output and performance targets.

Key Outcome Indicator:

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Percent of targets achieved	90%	100%	87%	(13%)	Substantially Achieved

Source: BCTS output and performance targets

Indicator: Percent of BC Timber Sales' targets achieved. The indicator is the number of service plan targets substantially achieved or exceeded divided by the total number of targets, expressed as a percent. The measure is an indicator of our overall level of performance.

Results:

Since its inception, BC Timber Sales has steadily expanded the volume of timber that it develops and auctions for sale, and accordingly has set challenging targets. BC Timber Sales has twelve objective-level performance measure targets and four goal-level key outcome indicator targets for a total of 16 targets (including the KOI for Goal 4 above).

In 2004/05, BC Timber Sales continued its growth and worked hard on achieving targets and demonstrating a high level of performance. The organization achieved 87 percent of its targets, while under achieving on only two targets and over achieving on four targets. (There were five targets where baselines were still being established during the year).

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Objective 4.1: A safe and healthy work environment.

BC Timber Sales believes that a safe and healthy work environment is key to the safety and well-being of our employees and being a high-performing organization.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Staff rating of Work Environment	N/A	71%	71%	N/A

Source: Annual staff survey

Measure: BC Timber Sales staff rating of their work environment. The staff rating is defined as the percent of staff indicating BC Timber Sales does a good job in providing a safe and healthy work environment. The rating is an indicator of our success in providing a safe and healthy work environment for our employees.

Results:

In 2004/05, BC Timber Sales established a baseline target for a safe and healthy work environment by undertaking an organization-wide staff survey. The results of the survey indicate that 71% of employees strongly agree that BC Timber Sales does a good job of providing a healthy and safe workplace.

BC Timber Sales actively participates in ministry safety, Workers' Compensation Board (WCB), and health and wellness activities and committees. An annual budget of $50 per full time equivalent is provided in support of staff health and wellness activities. All BC Timber Sales staff receive appropriate safety training funded by the program. BC Timber Sales also holds a seat on the forest industry safety council, which has been established to promote workplace safety in the forest sector.

Objective 4.2: Our performance management and accountability framework is effective.

BC Timber Sales believes that an important contributor to high performance is the way in which an organization manages its performance and demonstrates accountability for results. More than simply reporting effective performance management and accountability, BC Timber Sales emphasizes the cycle of continuous improvement and the obligation to demonstrate and take responsibility for performance in light of agreed-upon expectations.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Percent of framework objectives in place	N/A	Adopt Framework	Complete	-	Achieved

Source: Independent review by Internal Audit and Advisory Services, Office of the Comptroller General

Measure: Percent of framework objectives in place as determined by a third party review. This is a measure of the organization's success in implementing and maintaining an effective Performance Management and Accountability Framework.

Results:

BC Timber Sales adopted and implemented the Comptroller General – Internal Audit and Advisory Services' Performance Management and Accountability Framework in 2004/05. The Office of the Comptroller General's framework was developed to support government organizations in assessing and improving their ability to manage performance and demonstrate accountability for results. A number of well-established accountability and effectiveness frameworks were researched, with key principles and concepts then drawn from these frameworks, combined with sound management practices and presented as a practical model, using client focused language. BC Timber Sales is already making significant progress towards integrating the framework. For example, the first two objectives of the framework relate to purpose:

- Clear mandate or mission, aligned with goals and objectives exist.
- Roles and responsibilities of parties in the accountability relationship are clearly defined and support achievement of objectives.

BC Timber Sales demonstrates a strong alignment between staff and organizational goals. Based upon the staff survey results, 94 percent of staff indicate they understand the goals of the organization and 86 percent of staff indicate they understand how their work contributes to achieving those goals. BC Timber Sales will engage Internal Audit and Advisory Services in 2005/06 to review our implementation of all of the framework's objectives and identify any areas for improvement.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance	
Percent of framework objectives in place	N/A	Adopt Framework	Complete	-	[redacted]

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- Roles and responsibilities of parties in the accountability relationship are clearly defined and support achievement of objectives.

BC Timber Sales demonstrates a strong alignment between staff and organizational goals. Based upon the staff survey results, 94 percent of staff indicate they understand the goals of the organization and 86 percent of staff indicate they understand how their work contributes to achieving those goals. BC Timber Sales will engage Internal Audit and Advisory Services in 2005/06 to review our implementation of all of the framework's objectives and identify any areas for improvement.

Objective 4.3: People see BC Timber Sales us as a fulfilling place to work.

Motivated and proud people are key to a healthy organizational culture and being a high performing organization. BC Timber Sales believes that it is important for its employees to see it as a fulfilling place to work and to be proud of the organization, each other and their accomplishments.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Staff satisfaction index	N/A	61.5	61.5	N/A

Source: Annual staff survey

Measure: Index of staff satisfaction. The index is an average rating score based on staff responses to various questions on appreciation, recognition and the extent to which BC Timber Sales is a fulfilling place to work. The Staff Satisfaction Index is a measure of success toward ensuring BC Timer Sales is a fulfilling place to work.

Staff Satisfaction Index Baseline Calculation

The baseline is calculated using the results of our 2004/05 staff survey.

	Staff Satisfaction Index Components	Percent of Staff that indicated a high level of agreement
1	In my work place, employees are treated fairly and with respect	70%
2	I work in a positive and productive environment	64%
3	I feel motivated in my job	64%
4	I feel a strong sense of commitment to BC Timber Sales	64%
5	I feel BC Timber Sales is strongly committed to its employees	52%
6	I am satisfied with the balance between my work and personal life	62%
7	I feel my contributions to BC Timber Sales are acknowledged and appreciated	58%
8	BC Timber Sales does a good job of recognizing high-performing employees	37%
A	Average Percentage (1 to 8)	58.9%
B	All things considered, BC Timber Sales is a fulfilling place to work	64%
	Staff satisfaction Index ((A+B)/2)	**61.5%**

Results:

Based upon the results of the staff survey, BC Timber Sales is demonstrating success in ensuring that it is seen as a fulfilling place to work. At the same time, the survey highlights opportunities for improvement and BC Timber Sales will take appropriate steps to address these opportunities in 2005/06 and beyond.

BC Timber Sales has taken a number of steps on implementing the ministry's Road Ahead initiative to support this objective. The ministry initiative contains six objectives related to understanding vision, mission and values; stewardship; leadership; individual and corporate learning; workforce planning; and a healthy and safe workplace. In addition to the strategies supporting BC Timber Sales as a fulfilling place to work, the organization is addressing Road Ahead objectives through our learning and innovation objective 4.4 and healthy and safe workplace objective 4.1.

At March 31, 2005, 85 percent of staff had Employee Performance and Development Plans (EPDPs) in place. The remaining 15 percent of EPDPs are scheduled for completion by June 30, 2005. EPDPs help link employee performance and development with ministry and BC Timber Sales goals and objectives throughout the organization. BC Timber Sales has taken action also on building a culture of rewards and recognition, and budgeted funding for 2005/06 to support this strategy.

Objective 4.4: Learning and innovation are a part of our organizational culture.

BC Timber Sales believes that having an organizational culture that fosters continuous learning and innovation is a building block to having skilled people and a high performing organization.

Measure	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Learning & innovation index	N/A	63	63	N/A

Source: Annual staff survey

Measure: The staff learning and innovation index is a measure of the program's success in fostering an environment of learning and innovation. The index is an average rating score based on staff results to questions on empowerment, innovation, and learning.

Learning and Innovation Index Baseline Calculation

The baseline is calculated using the results of our 2004/05 staff survey.

	Learning and Innovation Index Components	Percent of Staff that indicated a high level of agreement
	Learning	
A	BC Timber Sales fosters an environment of continuous learning	60%
	Innovation	
1	I am encouraged to be innovative and come up with better ways of doing things	70%
2	In my workplace, mistakes are used as an opportunity to learn	68%
3	I have the necessary authority to make decisions in my day-to-day work	69%
4	I have an opportunity to influence local goal setting in my workplace	62%
5	In my workplace, managers do a good job of seeking employee input	60%
6	In my workplace, employees are held accountable for their responsibilities	60%
7	I feel safe to speak up on issues that concern me about my job and work environment	72%
B	Average Innovation Percentage ((Sum1-7)/7)	65.8%
	Learning and Innovation Index ((A+B)/2)	**63%**

Results:

BC Timber Sales implemented its Learning Strategy in 2004/05, which is a key component of achieving this objective. During the year, members of the Training Working Group presented the strategy in face-to-face sessions with employees in all 12 business areas. The rollout was an important step for employee understanding and support of the strategy. Staff participation was significant, with some 361 employees completing a short survey handed out at each session.

On a related front, 95 employees participated in the highly successful 'Tools for Learning Organizations' workshops. These workshops are one example of an effective venue for personal and organizational learning, with benefits accruing to both employees and the organization. BC Timber Sales collaborates with other areas of the Forest Service on opportunities of this type.

Continuous improvement activities also continued during the year through various working groups to improve the effectiveness of business processes and integrate innovation throughout the organization

Report on Resources

BCTS	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
		INPUTS		
		Operating Revenues and Expenses ($millions)		
Gross Revenue	$185.7	$252.9	$266.1	$13.2
Less: Expenses (Capitalized)[1]	84.7	131.8	115.9	(15.9)
Net Revenue	$101.0	$121.1	$150.2	$29.1
		Full-time Equivalents (FTEs)		
Staff (Full-time Equivalents) (FTEs)	441	535	523	(12)
		Annual Cash Expenditures by Activity ($millions)		
Administration & Overhead	$16.2	$20.1	$19.7	$0.4
Salaries	33.8	36.8	39.3	(2.5)
Planning	-	4.6	13.7	(9.1)
Sales	23.2	29.9	30.4	(0.5)
Access	27.9	70.1	40.0	30.1
Silviculture	35.8	42.8	39.1	3.7
Total Expenditures (Cash)	$136.9	$204.3	$182.2	$22.1
		Capital Expenditures ($,000s)		
Capital Expenditures	$660	$990	($423)	$1,413
		OUTPUTS		
		Timber Volumes (Millions of Cubic Meters [Mm^3])		
Volume Offered (Mm^3)	11.2	11.8	12.8	1.0
Volume Sold (Mm^3)	9.0	11.5	11.3	(0.2)
Volume Developed (Mm^3)	12.6	12.5	15.4	2.9
Volume Scaled (Mm^3)	7.9	11.5	10.0	(1.5)

(For a breakdown of volume results by Coast and Interior see Appendix 1)

Report on Resources

BCTS	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
INPUTS				
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(For a breakdown of volume results by Coast and Interior see Appendix 1)

Explanations and Comments

Gross Revenue - Strong timber prices and higher than projected billed rates for timber harvested contributed to the over achievement of our gross revenue target.

Capitalized Expenses – ((inventory and silviculture costs associated with timber volume harvested) plus period costs (e.g. administrative overhead, harvest conformance costs, and road & bridge maintenance and deactivation)). Cost savings and lower than projected timber volumes harvested during the year contributed towards the $16 million savings in capitalized expenses.

Expenditures (Cash) – Continued innovation efforts such as sharing of best practices and contract efficiencies contributed to a budget savings of $22.1 million.

Access – Phase 3 of the Timber Reallocation process was slow in progressing through most of the year. As a result, projected purchases of unused forestry work and unamortised physical assets on the land base negotiated for long term pricing reasons did not materialize as expected resulting in a surplus. In addition, funds budgeted under access for timber reallocation asset purchases were moved and used to purchase planning assets as part of the timber reallocation process.

Capital Expenditures

BC Timber Sales realized a $1.413 million surplus in capital expenditures as a result of a prior period cost adjustment ($569,600) for systems related operational costs erroneously coded to capital in 2003/04.

Appendix 1 – Coast and Interior Breakdown of Selected Performance Results

The table below breaks out provincial results achieved by Coast and Interior regions of the province for a number of our primary output and performance measures.

Output/Performance Measure	Total Achieved	Coast	Interior
Gross Revenue (Millions $)	$266.1	$91.3	$174.8
Timber Volume Scaled (Million m^3)	10.0	2.81	7.19
Average Bid Price ($/$m^3$)	$42.67	$36.60	$44.44
Average Number of Bidders	3.04	3.36	2.93
Timber Volume Offered for Sale (Million m^3)	12.8	3.05	9.75
No Bid Sales (gross) (Million m^3)	1.55	0.45	1.10
Timber Volume Sold (Million m^3)	11.3	2.59	8.71
Timber Volume Developed (Million m^3)	15.4	4.79	10.61
Average Cost of Timber Inventory Developed ($/$m^3$)	$8.57	$12.01	$5.13

Note 1: The Coast includes the Chinook, Strait of Georgia, Seaward-tlasta, and Skeena Business Areas. The Interior includes Babine, Prince George, Stuart-Nechako, Peace-Liard, Cariboo-Chicotin, Kamloops, Okanagan-Columbia, and Kootenay Business Areas.

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